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External debt crisis and development

Report of the Secretary-General**

Summary

The present report, submitted in compliance with General Assembly resolution 57/240, analyses recent developments in the external debt situation of, and capital flows to, developing countries and economies in transition in light of the overall situation of the global economy. An assessment is made of the continuing reserve accumulation and the causes and implications of the net transfer of resources from developing countries. The report provides an analysis of private capital flows to developing countries in a longer-term perspective. Regarding official debt, the focus is on debt relief under the Heavily Indebted Poor Countries Initiative and agreements at the Paris Club. The report also comments on recent developments with regard to new mechanisms for the restructuring of sovereign debt.

The present report complements the report of the Secretary-General for the High-level Dialogue on Financing for Development (A/58/216), which includes recommendations for advancing more expeditiously towards a durable solution to debt problems of developing and transition economies.

* A/58/150.

** The present report was submitted late so that the updated information required for a commentary on the latest developments could be included in this comprehensive and substantive analysis of the issues related to external debt and development.

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I. Introduction

1. The General Assembly, in its resolution 57/240, requested the Secretary-General to submit a report to the Assembly at its fifty-eighth session on the implementation of that resolution and to include in that report a comprehensive and substantive analysis of the external debt and debt-servicing problems of developing countries, including those resulting from global financial instability. In compliance with the foregoing request, the present report analyses developments, since the previous report (A/57/253) in the external debt situation of, and capital flows to, developing countries and economies in transition in light of the overall situation of the world economy, and in policies pertaining to the treatment of external debt crises.

2. Resolution 57/240 was adopted less than a year after the International Conference on Financing for Development took place at Monterrey, Mexico, from 18 to 22 March 2002. The main outcome document of the Conference, the Monterrey Consensus,[1] has become a new framework for policy-making on the interrelations of domestic and international finance, trade and development. During its current session, the Assembly will hold its first High-level Dialogue on Financing for Development in order to take stock of the implementation thus far and to follow up on the commitments and agreements made at Monterrey, including those pertaining to the external debt situation of developing and transition economies. A report for that Dialogue (A/58/216) has been prepared in close consultation and collaboration with the major institutional stakeholders in the Monterrey process. It contains a number of specific recommendations that pertain to the concerns addressed in the present report.

II. Recent trends in international debt indicators and capital flows

3. Following declines in the previous two years, the total stock of external debt owed by developing countries and countries with economies in transition increased by around US$ 52 billion, or 2.2 per cent, in 2002. Latin America accounted for almost half and countries in Europe and Central Asia for another 27 per cent of the total increase, which was entirely on account of an increase in public and publicly guaranteed debt. Private debt fell again, though less than in the previous year, and short-term debt at the end of 2002 was also slightly lower than the year before (see table).

4. Despite the increase in the nominal debt stock, debt service payments fell by almost 10 per cent in 2002, mainly owing to lower international interest rates. The ratios of total debt and debt service to exports of goods and services continued to decline. Those trends were similar in all developing regions except Latin America, where the debt-to-exports ratio increased for the second consecutive year as exports stagnated. With external debt equivalent to 173.6 per cent of exports of goods and services, Latin America had the highest debt/export ratio of all developing regions, with some large economies in the region exceeding that average by a considerable margin, including Argentina (around 459 per cent), Brazil (around 330 per cent), Peru (around 310 per cent) and Colombia (around 260 per cent).[2]

5. Total net private and official capital flows to developing and transition economies increased to some $75 billion in 2002, from about $44 billion in the previous year. While net official capital flows, including International Monetary Fund (IMF) lending, fell by about 10 per cent, total net private capital flows rose to $52 billion in 2002. Within that total, net portfolio investment and bank lending were both again negative, while foreign direct investment (FDI) was the only positive component among the broad categories of private capital inflows, although at $110 billion it remained well below the level of the past four years.[3]

6. Latin America received virtually no net flows of private capital in 2002 after being the largest recipient the previous year. International bond issues by Latin American countries were halved in 2002 compared to 2001. The downward trend in net portfolio flows to the region continued unabated, turning negative in 2002. Net flows of FDI to the region fell to almost half the level reached in 2001, after remaining relatively stable at over $50 billion during the previous five years.

7. Net private capital flows to Asia in 2002 amounted to $70 billion, more than four times the level of the previous year, largely because of a surge in FDI to China. India and China accounted for more than four fifths of the total for the region and net private capital flows were positive also for the Republic of Korea, Singapore and Taiwan Province of China.

8. Conditions on international capital markets have improved slightly since mid-2002. Spreads on dollar-denominated debt fell by 200 basis points during the second half of 2002 and the first half of 2003.[4] Spreads on international bond issues by Latin American borrowers, which had risen sharply with the Argentine default and the political uncertainties in Brazil, declined considerably. They reached very low levels for a few countries, including Mexico, but remained high for Argentina, Brazil and Venezuela. Emerging markets also benefited from the decline in dollar interest rates, as in the search for higher yields investors moved into local fixed-income markets. A number of countries, including Brazil and Turkey, regained access to international capital markets on relatively favourable terms, but that access is believed to be fragile.[5] Credit ratings have also been upgraded for a number of emerging markets, including Mexico, the Republic of Korea and the Russian Federation.

9. In the first quarter of 2003 net issuance of debt securities rose by 52 per cent to $13.2 billion, following an increase of 28 per cent in the fourth quarter of 2002. Yet, it was still below the $17 billion average of net quarterly issuance in the three years preceding the Asian financial crisis, and the rise has been highly concentrated, with Brazil alone accounting for two thirds of the amount.[6]

III. Reserve accumulation and net transfer of resources

10. The stock of international reserves of developing countries has been rising constantly in recent years, but whereas previously net capital inflows had provided financing for both current-account deficits and reserve accumulation, since 1998 the main source of reserve accumulation has been current-account surpluses. An unprecedented increase of about $163 billion (or 27 per cent compared to 2001) was registered for the stock of international reserves of the developing countries and economies in transition, with East Asia alone accounting for more than $68 billion and Europe and Central Asia for $45 billion (see table). That led to a strong

improvement in the ratio of short-term debt to international reserves in all regions, with the exception of Latin America, where short-term debt rose faster than reserves. Despite some further improvement in 2002, that indicator continues to be the highest for sub-Saharan Africa, excluding South Africa, where short-term debt at the end of 2002 was equivalent to 76 per cent of international reserves.

11. Despite the increase in total net private and official capital flows to the developing countries, net flows, which include reserve accumulation and are measured by the current-account balance, were negative in 2002 for the fourth consecutive year. In 2002, the aggregate surplus amounted to more than $100 billion, exceeding the peak reached in 2000. Although Latin America generated a trade surplus through import compression,[7] the current account remained in deficit, as net payments on foreign investment income and interest exceeded the trade surplus. In addition to the trade surplus, a large proportion of official inflows was used to finance net transfers to private investors. Asia also generated a large current-account surplus, exceeding $100 billion, but in contrast to the large Latin American economies the surpluses in Asia were achieved through a rapid expansion of exports. Since net official inflows to the region were negative on account of payments to IMF, net private capital inflows were in effect used, together with the current-account surpluses, to pay off official creditors and to add to international reserves.

12. Sub-Saharan Africa, including South Africa, saw a relatively large increase in its current-account deficit in 2002 and although both net private and official capital inflows were positive, they fell short of the current-account deficit. The Middle East generated a current-account surplus, but the underlying factors varied across countries. The oil-exporting countries saw considerable improvements in their trade and current-account balances as a result of higher oil prices and export revenues, while in Turkey such improvements occurred in much the same way as in the debt-stricken Latin American countries.

13. In continuation of the trend that had started after the financial crisis in East Asia, developing countries made a net outward transfer of resources, taking into account net capital flows, increases in reserve holdings and net payments on foreign investment, including interest payments on outstanding debt and profit remittances. According to preliminary estimates by the Department of Economic and Social Affairs of the Secretariat, the net transfer of financial resources from developing countries reached an unprecedented $192 billion in 2002. The net resource transfer was negative for every developing region, except sub-Saharan Africa. About $90 billion of the total was transferred as net payments on foreign investment income, which exceeded total net capital inflows by some $15 billion. Thus, on a cash-flow basis, developing countries' financial balance with the rest of the world was negative, financed mainly by surpluses generated on the trade account.

IV. Private capital flows to developing countries in a longer-term perspective

14. Although net private capital flows rebounded in 2002, they were still less than a quarter of the peak reached in 1996 before the East Asian financial crisis. Despite that increase, a number of countries have been facing stringent payments conditions and the global downturn has aggravated their external financial difficulties. In recent

months high yields relative to those to be obtained on equity and bonds in industrial countries have attracted funds to some of those countries, but the risk of a quick reversal of such inflows remains.

15. The downward trend in net debt flows to developing countries since 1997 has been influenced by a number of factors. First, volatility and risk have remained high in international capital markets owing to the sharp decline of United States equity prices in 2000, the Turkish crisis and the Argentine debt default in 2001, and uncertainties with regard to the recovery of the world economy. Secondly, there has been greater convergence of inflation and interest rates between emerging-market economies and industrial countries, reducing the scope for arbitrage. Lastly, since the late 1990s the financial crises in several developing countries have prompted Governments to strengthen scrutiny of their financial systems with a view to reducing their vulnerability to a reversal of capital flows.

16. As evident from the large differences in the risk spreads and in the degree of access to international capital markets of different emerging-market economies, investors have continued to differentiate between borrowers with respect to risks and returns. In recent years many of the East Asian economies that had enjoyed high sovereign ratings and low spreads did not resort to international bond markets in view of their comfortable balance-of-payments positions. Instead, they have paid off to international banks the debt they had inherited from rapid borrowing in the period leading up to the 1997 crisis. By contrast, most Latin American countries with high external debt burdens have been unable to attract sufficient amounts of private capital to meet their needs for imports. Indeed, in Latin America, with the exception of a few countries, recent trends in international capital flows and resource transfers are reminiscent of the conditions prevailing during the debt crisis of the 1980s, when resource transfers from the region were also the result of reduced private capital inflows, accompanied by tightened balance-of-payments constraints, reduced growth and increased external indebtedness to official creditors.

17. Capital flows to developing countries appear to be at the end of a second 10-year cycle of expansion and contraction: the first beginning in the early 1970s and ending with the debt crisis, and the second beginning in the early 1990s and ending with the recent slowdown, according to a recent study carried out by the United Nations Conference on Trade and Development (UNCTAD).[8] From 1974 to 1981 cumulative net inflows to emerging markets in constant dollars amounted to $1.155 billion compared to $1.243 billion between 1992 and 2001. Cumulative net inflows to Latin America amounted to $523 billion in the first cycle and $683 billion in the second. In both cases, the surge was driven by specific policy measures and financing vehicles. The first boom was made possible by financial deregulation in the industrialized countries and the rapid growth of eurodollar markets. The second boom was greatly helped by the success of the Brady Plan and progressive liberalization and privatization in developing countries.

18. UNCTAD has argued that the two booms were not the result of autonomous market forces responding to long-term fundamentals in the recipient countries, and both ended with financial crises, widespread debt servicing difficulties and defaults. UNCTAD thus suggests that there is no "natural" cycle of free international capital flows to create the next upswing in flows. However, it observes that financial markets do have a tendency to produce boom-bust cycles in individual economies, with periodic defaults as the outcome. Thus, over the medium term, capital flows to

developing countries may recover, but it is impossible to say if they will reach the earlier peaks and they may not take the same form or go to the same destinations.

V. Official debt and official development assistance

A. Debt relief under the Heavily Indebted Poor Countries Initiative

19. Since its launching in 1996, the Heavily Indebted Poor Countries (HIPC) Initiative has been acknowledged to address a serious constraint to development and poverty alleviation of many of the poorest countries. Nonetheless, from an early stage of its implementation, there have been increasing concerns regarding its slow pace in the delivery of debt relief. Under the enhanced framework of the Initiative, in place since September 1999, the scope for debt relief was broadened with a view to achieving long-term debt sustainability, while it came to be linked to the objective of poverty alleviation. However, there have been increasing doubts in recent years that the Initiative in its present form and scope can meet these objectives.

20. Since the previous report of the Secretary-General on the external debt situation of the developing countries (A/57/253), two more countries have reached the Completion Point of the enhanced framework: Mali, in February, and Benin, in March 2003. However, by the end of June 2003 only eight of the 42 HIPCs had reached the Completion Point, at which a country benefits from the full amount of debt relief possible under the Initiative. Another 18 countries had reached the Decision Point, at which they qualify for interim relief, conditional on the implementation of macroeconomic and structural reform programmes.

21. The HIPC Ministerial Network, at its seventh meeting in September 2002, stressed that the main reason for delays in debt relief under the HIPC Initiative was not so much the participatory process for achieving national consensus on poverty reduction strategies, but rather the insufficient progress in streamlining IMF and World Bank conditionality, which they considered to be undermining ownership and implementation of programmes.[9] Indeed, the nature and content of macroeconomic stabilization and structural reform programmes must accord with their country-specific circumstances when conditionalities attached to debt relief as well as multilateral lending are negotiated.

22. That is the case in particular in countries that are suffering from armed conflict, or are just emerging from conflicts, which find it also extremely difficult to secure the human resources and to ensure the broad-based participation of civil society necessary for the formulation of a poverty reduction strategy. In view of the constraints faced by such countries, it is unlikely that they will achieve significant progress towards debt relief in the near future under standard programme requirements for reaching the Decision Point, pointing up the continuing need for flexibility in the treatment of their situations.

23. Twelve countries have not reached the Decision Point. Nine of them are either conflict-affected or post-conflict countries and all but one are African. Those countries have accumulated large and protracted arrears in their debt-service obligations vis-à-vis the international financial institutions. While some post-conflict countries, including Sierra Leone, Mozambique, Guinea-Bissau and Rwanda, have reached the Decision Point, the remaining HIPC-eligible

(post-conflict) countries require greater flexibility on the part of the international community regarding the settlement of their arrears. Those arrears represent a considerable burden for the smaller multilateral development banks, which require assistance from bilateral donors to clear them, either in the form of additional contributions to the HIPC Trust Fund, which could be specifically earmarked for post-conflict countries, or by creating a special Trust Fund for that category of countries, which could be based on the same principles as the existing HIPC Trust Fund.[10]

B. Debt reduction, social expenditure and poverty alleviation

24. For the 26 countries that had reached either the Decision Point or the Completion Point at the beginning of 2003, annual debt service has been cut on average by more than one third compared to 1998.[11] The debt service of those countries fell from 17.5 per cent of their exports of goods and services in 1998 to around 10 per cent in 2002. In parallel, the debt-service-to-Government-revenue ratio fell from 27.3 per cent to about 15 per cent. Making additional public resources available for domestic spending is certainly a necessary condition for poverty alleviation and faster development. However, systematic analysis is at an early stage of the contribution that HIPC debt relief can make to attaining the Millennium Development Goals, or of the remaining financing gap to achieve those goals after debt relief has been granted.

25. While it is methodologically difficult to establish a clear link between debt relief and domestic public spending, available data indicate that in a number of countries reduced debt-servicing obligations have indeed helped to increase social expenditure.[12] But there is no doubt that substantial further increases in expenditures are needed to improve adequately the living conditions of the poorer parts of the population and make progress towards the Millennium Development Goals. While there is a need to increase spending for purposes that are directly linked to mitigating the incidence and effects of poverty, the contribution of such spending to faster and sustained economic growth and rising per capita income requires a higher level of investment in real productive capacity and appropriate infrastructure.

26. Moreover, it is not clear how the macroeconomic and structural reforms required under the Poverty Reduction Strategy process affect poverty and social conditions. HIPC countries have therefore called upon the Bretton Woods institutions to "move much more rapidly forward on developing a methodology for ex ante Poverty and Social Impact Analysis of all programme conditions, so that practical tools can be applied by HIPCs themselves to such analysis".[13] Indeed, the World Bank in a recent review remarked that "most recipients consider the focus of the initiative to be excessive on social sectors and too little on growth and 'wealth creation'".[14] In the same vein, HIPC ministers, while reiterating their commitment to sound economic management, budgetary discipline and low inflation, have urged the Bretton Woods institutions to "approve for countries which have attained a degree of stabilization more flexible macroeconomic frameworks, which provide more scope for accelerated growth".[15]

C. The remaining problem of debt sustainability

27. Despite the positive impact of the HIPC Initiative on the debt-servicing burdens of the beneficiary countries, there are serious doubts that a sustainable level of external debt, even after the full debt relief possible has been accorded, can be attained in all eligible countries. Those doubts have become even more widespread against the background of the sharp deceleration of the world economy in the past two years and its implications for the export earnings of developing countries, in particular those that are highly dependent on exports of primary commodities.

28. HIPC countries are particularly vulnerable to unstable trading conditions and fluctuations in the prices of primary commodities. Prices for a number of commodities that are of great importance for the export performance of those countries have been considerably lower than projected in the calculations underlying the determination of debt relief to achieve debt sustainability, and projections indicate a continuation of historically low prices. In order to absorb sharp falls in commodity prices without consequences for growth and poverty alleviation, and to keep the external debt below the sustainability threshold, additional debt relief and new official financing, especially in the form of grants, would be required.

29. It is now generally accepted that in many cases the calculations of the required amount of debt relief were based on unrealistic assumptions underlying the export growth projections.[16] According to IMF, export projections made when countries had reached the Decision Point have turned out to be overoptimistic in two thirds of the HIPCs.[17] Other analysts estimate that in 13 HIPCs debt levels will not be brought down to sustainable levels in the foreseeable future.[18]

30. As the scope for further adjustment to the unfavourable external environment is extremely limited, HIPC ministers have suggested that the Initiative should be surrounded with a wider framework of measures to overcome shocks, including the counting of any bilateral debt cancellations beyond 90 per cent as genuinely "additional" relief. That would bring down the HIPC debt burden, on average, by a further 25 percentage points of exports and provide them with a safety margin to protect against external shocks. Moreover, HIPC ministers have stressed the need for cheap, automatic and rapidly available contingency financing by the international financial institutions, based on annual reassessments of debt sustainability, to ensure that external shocks do not cut funding available for poverty reduction spending.[19]

31. Another reason for the uncertain prospects with regard to attaining debt sustainability was the fall in official development assistance (ODA) in the 1990s, which is of concern not only for the HIPCs but also for many other low and lower-middle-income countries depending on official external financing.

D. Negotiations on debt relief and restructuring at the Paris Club

32. Although the Paris Club ensures comparable treatment for creditors, debtors are treated on a case-by-case basis, leaving room for broader political considerations in agreements on debt-restructuring. Negotiations under the Houston terms for lower-middle-income countries, for instance, have differed with respect to the treatment of arrears, interest, late interest, consolidation periods and repayment terms. The treatment also varies according to whether the agreed minutes contain a

goodwill clause, an agreement that the debtor country can return to the Paris Club. Differences are also prevalent with regard to the share of total debt that is agreed on for debt restructuring through debt swaps and the rescheduling of post-cut-off debt.[20]

33. Implementation of the enhanced HIPC Initiative has continued to be at the centre of recent Paris Club activity. In the second half of 2002 and up to the end of June 2003, 10 countries concluded new agreements on the rescheduling or restructuring of their debt with Paris Club creditors, eight of them HIPCs. Benin, Mali and Mauritania, having reached their Completion Points, obtained debt stock reduction measured to reach agreed debt sustainability targets. Nicaragua, Sierra Leone, the Gambia and Zambia obtained flow rescheduling on Cologne terms (i.e. 90 per cent debt service reduction in present value terms), following their reaching the Decision Point under the Initiative. For Sierra Leone and Zambia this took the form of "topping up" previous agreements, as for Rwanda and Ethiopia earlier in the year. The Democratic Republic of the Congo secured Naples terms relief involving a 67 per cent debt service reduction in present value terms, pending achievement of the Decision Point.

34. Apart from the countries eligible for debt relief under the HIPC Initiative, two lower-middle-income countries covered by the Houston terms came up for negotiations at the Paris Club in 2002-2003. Both Jordan and Ecuador, having concluded a stand-by agreement with IMF, requested exit rescheduling. Jordan obtained exceptional treatment in July 2002 to enable the country to graduate from rescheduling with Paris Club creditors.[21] The amount treated in the Paris Club rescheduling was an exceptional $1,170 million out of $2 billion originally due to the end of 2007. One hundred per cent of pre-cut-off date debt maturities falling due during the two-year period of the current IMF arrangement ending in July 2004 were consolidated on Houston terms. Paris Club creditors further agreed to consolidate on the same terms maturities due until the end of 2007. ODA credits are to be repaid over 20 years, including 10 years of grace, and non-concessional credits over 18 years, including 3 years of grace.

35. In the case of Ecuador, the Paris Club agreement consolidated $81 million of principal maturities falling due to official bilateral creditors between March 2003 and April 2004, of which 85 per cent are non-concessional loans. Ecuador did not receive a clear signal that it could return to the Paris Club, although the creditors agreed to monitor the fresh debt sustainability exercise undertaken jointly with IMF.

36. Paris Club creditors also had preliminary discussions in April and July 2003 on Iraq's debt. According to their estimates, the total public debt of Iraq vis-à-vis Paris Club creditors amounts to $21 billion, almost exclusively in arrears and not including late interest. The debt stock reported results from credits contracted before August 1990. Paris Club creditors do not expect Iraq to be in a position to make payments on that debt before the end of 2004.

37. Debt renegotiations at the Paris Club were subject to deliberations of the G8 Finance Ministers at their meeting in Deauville, France, in May 2003. In an annex to their Communiqué, the G8 Finance Ministers make a number of proposals for a reform of the Paris Club. They call for a more active policy in defining the "eligible debt" by bringing forward the cut-off date, thus removing the artificial ceiling on debt rescheduling or cancellation. For most countries cut-off dates hark back to the early eighties. The need for a new cut-off date has arisen for several reasons: first, it

may be required for equal burden sharing among creditors in cases where some creditors have a more than proportionate share of pre-cut off credits, while others have a predominant share of post-cut off credits; secondly, the treatment of the stock of debt after the cut-off date may contribute to better management of cash flows and the adoption of policies for debt sustainability; and lastly, once the debt falling within the cut-off period has been repaid, there is, under present Paris Club arrangements, no room for further negotiations on new debt. In light of those reasons, consideration might be given, beyond the G7-G8 proposal, to the introduction of a new cut-off date for debt negotiations which is not negotiated case-by-case but rather agreed uniformly for all debtor countries.

38. The Deauville Communiqué also made proposals for debt reduction in exceptional cases for countries not qualifying for debt relief under the HIPC Initiative, when the need is clearly demonstrated, and to encourage countries to use debt buy-backs and swaps. In addition, the Communiqué made a case for comparable treatment by private creditors and Paris Club creditors. That in part reflects the changing composition of capital flows to developing countries, which has shifted from the earlier predominance of official flows in the 1970s towards private capital flows to some major developing country borrowers. In the past, the usual scenario was that Paris Club agreements took place first and that sent out a credibility signal for London Club negotiations on debt owed to commercial banks. In recent years there has been a tendency to reverse comparability, in the sense that restructuring with private creditors precedes a Paris Club negotiation. That is illustrated by the example of the debt restructuring negotiations for Pakistan and Ecuador, where prior agreements with private creditors were required before the negotiations with the Paris Club. Such reverse comparability may have important implications for developing countries, not only because the motivation guiding the negotiations of the two classes of creditors is different, but also because the interest rates on debt owed to commercial creditors and debt renegotiated at the Paris Club are different, so that the outcome for individual countries may vary depending on the composition of their external debt.

E. Debt monitoring and debt management in developed countries

39. The implementation of effective debt-tracking mechanisms and debt management systems is an important element in the efforts of developing countries to improve their institutional capacity to ensure long-term debt sustainability. Such mechanisms have been strengthened in a number of developing countries with the support of various international institutions. Main providers of technical support in this area are UNCTAD, which provides the Debt Management and Financial Analysis System (DMFAS), the World Bank, with its Debt Sustainability Module Plus (DSM+) model, and the Commonwealth secretariat, as provider of the Debt Recording and Management System (CS-DRMS).[22] As the main programme for debt management within the United Nations system, the DMFAS programme has significantly strengthened its technical assistance capacity over the past two years. Its main activity is the implementation of a standard computerized debt management system for the recording, monitoring and analysis of public debt in debt offices in ministries of finance and/or central banks, combined with the provision of training and assistance in the effective use of the system.[23] Overall, the programme is collaborating with 61 low and middle-income countries, which account for

approximately 40 per cent of the public and publicly guaranteed long-term debt of all developing countries, and with 24 HIPCs. The DMFAS programme has a Partnership Agreement with the World Bank and the Commonwealth secretariat for the dissemination of DSM+ software, which is designed to help officials in both national administrations and international institutions analyse the external financing requirements of countries and quantify the effect of debt relief operations or new borrowing. Cooperation between the DMFAS programme and the World Bank has been strengthened further by an amendment of this Agreement in May 2003.

40. The implementation of debt management systems supported by international institutions has been helpful in improving debt tracking, although that has not always been sufficient to avoid unsustainable debt burdens. As evidenced by the continuing debt and debt-servicing problems of many low and middle-income countries, there is still considerable scope for strengthening the impact of those systems on debt sustainability assessments and forward-looking debt management strategies. There also appears to be a need for improving the coherence in the institutional arrangements within debtor countries: for debt management to be more effective in avoiding unsustainable debt situations, it may need to be linked more closely to decision-making on external borrowing, capital-account and exchange-rate management and the development of financial early warning systems.

F. Complementarity of aid and debt relief

41. It is generally agreed that reaching the Millennium Development Goals requires an increase in external financing from official sources, in addition to debt relief. As highlighted in the World Bank's Operations Evaluation Department review, "without additionality, it is not apparent that the fiscal space needed for the mandated social and other expenditures would be created".[24]

42. At the Monterrey Conference on Financing for Development, donor countries made a commitment to increase their ODA disbursements. According to estimates of the Organisation for Economic Cooperation and Development (OECD), fulfilling those promises would raise ODA in real terms by 31 per cent, by about $16 billion, and the share of ODA in the donor countries' combined gross national income (GNI) to 0.26 per cent by 2006, a ratio still below the 0.33 per cent achieved until 1992 and far below the internationally agreed target of 0.7 per cent, which has been reached only by Denmark, Luxembourg, the Netherlands, Norway and Sweden. Four other countries have given a firm date to reach the 0.7-per-cent target: Belgium by 2010, Ireland by 2007, Finland by 2010 and France by 2012.[25]

43. In 2002 the States members of the OECD Development Assistance Committee, which account for 95 per cent of worldwide ODA disbursements, indeed increased their ODA disbursements by 4.9 per cent in real terms (accounting for inflation in the donor countries).[26] The total amounted to $57 billion, equivalent to 0.23 per cent of those countries' GNI, a slight increase over the all-time low of 0.22 per cent of GNI in 2001. That includes pledges by some donors earmarked for measures to fight terrorism and the HIV/AIDS pandemic.

44. The HIPC Ministerial Network, while expressing satisfaction with regard to the pledges of additional bilateral ODA at the Monterrey Conference, regretted that ODA offers received from OECD countries often extended to tied, project-specific or ill-coordinated aid, or to the financing of non-priority projects.

45. Apart from bilateral aid flows, another problem in the area of official financing is the appropriateness of the resources of the international financial institutions available for support to developing countries experiencing payments difficulties. In particular, the issue of the downward trend in commodity prices and recurrent price shocks continues to be an important concern for those developing countries that still rely heavily on commodity export earnings. A World Bank study found that the cumulative negative effect of a typical shock can approach 20 per cent of gross domestic product. The Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (G 24) has therefore called upon IMF to review the terms and conditions of its Compensatory Financing Facility to make it more accessible and relevant for the current circumstances.[27]

VI. Other issues related to the restructuring of sovereign debt

46. Following the East Asian financial crisis, an international debt work-out mechanism was proposed in previous reports of the Secretary-General on the external debt of developing countries and specific proposals were made by UNCTAD in its *Trade and Development Reports 1998* and *2001*.[28] The matter had already been raised during the debt crisis in the 1980s, when the absence of a clear and impartial framework for resolving international debt problems trapped many developing countries in situations where they suffered the stigma of being judged de facto bankrupt without a degree of protection and relief comparable to that resulting from the status of de jure insolvency.[29] UNCTAD had then been the first international organization calling for orderly workout procedures for international debt of developing countries, drawing on certain principles of national bankruptcy laws, notably chapters 9 and 11 of the United States Code regarding bankruptcy.

47. At its spring meeting in 2003, the International Monetary and Financial Committee of IMF considered a concrete proposal for a Sovereign Debt Restructuring Mechanism (SDRM), designed to facilitate sovereign debt restructuring.[30] The consideration of the SDRM proposal was a step forward in raising issues in comprehensively dealing with sovereign debt problems. It also addressed a particular problem, given that the largest proportion of such debt contracted by middle-income countries today is through international bond issues for which restructuring practices are less developed than for commercial bank or government credits. While SDRM was innovative in seeking to bring the debtor and its creditors together in cases where problems with the servicing of sovereign debt arise, in securing greater transparency and in providing a mechanism for dispute resolution, the Committee decided it was not feasible to move forward on the proposal. Instead, borrowers were encouraged to include or modify "collective action clauses" (CACs) in their bond contracts to facilitate restructuring of the bond issues should the need arise.

48. SDRM was designed to help solve the problems resulting from unsustainable debt situations rather than avoiding the occurrence of such situations. The mechanism would thus not help countries facing liquidity shortages in servicing their public or private debt and runs on their currencies, such as those witnessed in East Asia in 1997-1998. In other words, it does not address the problem of how to stop a financial meltdown.

49. Official "bailout" operations became the main international mechanism to address liquidity problems in the 1990s, but problems have been associated with their use. It can reasonably be expected that countries would be inclined to ask IMF to provide financing in order to address their liquidity problems, rather than declaring themselves insolvent. In order to encourage countries and creditors to move quickly to restructuring at an early stage, i.e. before a financial crisis breaks out, something like SDRM could have been invoked and combined with clear and transparent limits on crisis lending, so that creditors would understand that their claims might not be fully satisfied through IMF lending. Indeed, IMF strengthened its framework for access to Fund resources, including substantive criteria for exceptional access in "capital-account" crises.

50. The SDRM proposal did not elicit strong support from developing countries. Many countries, especially among those that have become heavily dependent on capital inflows, were concerned that the introduction of statutory and even contractual mechanisms for debt restructuring would impair their access to international capital markets. Another concern was that the proposal could result in a significant increase in the role of IMF, as the proposed Sovereign Debt Dispute Resolution Forum (SDDRF) would have no authority to challenge decisions on debt sustainability. An independent assessment of debt sustainability and an expansion of the powers of SDDRF might have helped meet those concerns.

51. Several emerging-market economies have expressed their preference for market-based approaches to debt restructuring. Those countries see the incorporation of CACs in new bond issues as an alternative to international bankruptcy proceedings for dealing with potential sovereign defaults, although some issuers initially had concerns about the possibility that the inclusion of CACs might increase their spreads. In the first half of 2003, there were a number of bond issues which included CACs, but it appears that in none of those cases did the inclusion of CACs require any additional premium.[31]

VII. Policy conclusions

52. The debt problems of many low and middle-income countries continue to constrain their economic development and the achievement of the Millennium Development Goals. Although bilateral official creditors have continued to provide relief to low-income countries, partly beyond the commitments made within the framework of the HIPC Initiative, for a number of countries the relief provided falls short of the level needed to achieve long-term debt sustainability and to allow a significant reduction in poverty in line with the internationally agreed target levels. In light of the continuing slow pace of the implementation of the Initiative and the limitations on the amount of debt relief that can be provided, there is a continuing need for flexibility in the treatment of HIPCs.

53. Many HIPCs and other heavily indebted countries continue to face difficulties in complying with conditionalities attached to debt relief and they need additional support by donors and international financial institutions in the design and implementation of PRSPs in order to accelerate the process towards the Completion Points. In that exercise greater attention needs to be given to poverty and social impact analysis and to technical assistance to enable countries to conduct such analyses on their own. That is essential to avoid conflicts in the negotiations within

the frameworks of the Poverty Reduction and Growth Facility and Poverty Reduction Support Credit. The recently revised guidelines on IMF conditionality could help strengthen national ownership of reform programmes and streamline conditionality attached to debt relief and new official multilateral financing.

54. A number of low and middle-income developing countries and economies in transition not eligible for debt relief under the HIPC Initiative are also carrying debt burdens exceeding the threshold level for sustainability adopted in the HIPC framework and facing difficulties in servicing their debts owed to official creditors. Even counties below the thresholds, HIPC and non-HIPC, could be carrying excessive debt. That is, as part of the current methodological work on assessment of debt sustainability of developing and transition economies, concerns have been raised to provide for a greater safety margin to protect against unanticipated adverse developments. That, together with effective contingency financing mechanisms on appropriate terms, including grant financing in many cases, could help eliminate the need of many heavily indebted countries for repeated rescheduling, which has characterized much of the Paris Club process in the past.[32]

55. There also continues to be a need for a framework to deal comprehensively with international sovereign debt of insolvent developing countries. Flexibility is necessary to accommodate the specific requirements of different cases. The proposal for a Sovereign Debt Restructuring Mechanism and the collective action clauses included in recent emerging-market bond issues can turn out to be important new elements in the discussion towards the creation of such mechanisms. However, sovereign debt workout procedures to ensure adequate relief and a fair distribution of the costs associated with crises and efforts to reduce the likelihood of financial crises could be strengthened further. In addition, experience in recent years with temporary suspension of convertibility and standstills on external debt payments shows that they can be important policy options for addressing financial meltdown and providing for orderly debt workouts. In short, there is much in how countries should handle debt crises that warrants further study in all appropriate forums (see A/58/216, para. 137).

56. More generally, progress has been limited with regard to the design of modalities of official intervention in financial crises in emerging-market economies. Actions taken to make the provision of official financing, within predetermined limits, more predictable should help reduce fluctuations in market sentiment. However, volatility of capital flows and instability of the exchange rates of the major international currencies will continue to render the management of external debt difficult. The fact that developing countries with debt problems are currently forced into deflationary adjustment and import compression in order to make net resource transfers abroad is an indication of the need to improve international cooperation to address the volatility of private capital flows and to mitigate their negative repercussions. For that reason, proposals continue to be made on modalities rapidly to expand international liquidity when needed through various means, including temporary allocations of Special Drawing Rights (see ibid., para. 151).

Notes

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] Economic Commission for Latin America and the Caribbean, *Preliminary Overview of the Economies of Latin America and the Caribbean, 2002* (United Nations publication, Sales No. E.02.II.G.126), table A-21.

[3] United Nations Conference on Trade and Development, *Trade and Development Report 2003* (United Nations publication, Sales No. E.03.II.D.7), table 2.1.

[4] Bank for International Settlements, *BIS Quarterly Review, June 2003*, Basel, Switzerland, 2 June 2003, p. 4.

[5] Bank for International Settlements, *73rd Annual Report*, Basel, Switzerland, 30 June 2003, p. 115.

[6] Bank for International Settlements, *BIS Quarterly Review, June 2003*, Basel, Switzerland, 2 June 2003, p. 28.

[7] International Monetary Fund, *World Economic Outlook*, Washington, D.C., April 2003, appendix, table 31.

[8] The long-term developments of capital flows to developing countries are examined in UNCTAD, *Trade and Development Report 2003* (United Nations publication, Sales No. E.03.II.D.7), part one, chap. II, and part two, chap. VI.

[9] Debt Relief International, "Implementing HIPC II: HIPC Ministers meet BWIs to express concerns about HIPC Initiative", 7th HIPC Ministerial Meeting, Washington, D.C., 27 September 2002, www.dri.org.uk.

[10] See African Development Fund, "A Proposal for Enhanced ADF Assistance to Post-Conflict Countries", Consultations on ADF-IX, Yamoussoukro, Côte d'Ivoire, September 2001, para. 5.13 and annex 1. The additional costs to the African Development Bank (AfDB) of financing the arrears clearance mechanism, for example, is estimated at about $658 million, which has increased the costs of the HIPC Initiative financed from the Bank Group's own resources to $1.030 billion — about three times the initial contributions the AfDB had set aside for the HIPC Initiative.

[11] World Bank, *Heavily Indebted Poor Countries (HIPC) Initiative — Statistical Update*, Washington, D.C., April 2003, table 11A.

[12] World Bank, ibid., table 12A.

[13] Debt Relief International, "Implementing HIPC II: HIPC Ministers meet BWIs to express concerns about HIPC Initiative", 7th HIPC Ministerial Meeting, Washington, D.C., 27 September 2002, www.dri.org.uk.

[14] World Bank, Operations Evaluation Department, *Debt Relief for the Poorest: An OED Review of the HIPC Initiative*, Washington, D.C., 2003, p. 45.

[15] Debt Relief International, "Implementing HIPC II: HIPC Ministers meet BWIs to express concerns about HIPC Initiative", 7th HIPC Ministerial Meeting, Washington, D.C., 27 September 2002, www.dri.org.uk.

[16] See, for example, World Bank, Operations Evaluation Department, *Debt Relief for the Poorest: An OED Review of the HIPC Initiative*, Washington, D.C., 2003, pp. 37-44.

[17] IMF, *Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation*, Washington, D.C., 23 September 2002, pp.24-27.

[18] See www.jubileeresearch.org/hipc/progress_report/briefing070103.htm.

[19] Debt Relief International, "Implementing HIPC II: HIPC Ministers meet BWIs to express concerns about HIPC Initiative", 7th HIPC Ministerial Meeting, Washington, D.C., 27 September 2002, www.dri.org.uk.

[20] The "cut-off date" is defined as when a debtor country first meets with Paris Club creditors. It is not to be changed in subsequent Paris Club treatments. Credits granted after the cut-off date are, in principle, not subject to future rescheduling, although in the history of the Paris Club some countries have benefited from ad hoc agreements in which cut-off dates were moved and resulted in debt stock reductions, or in which pre-cut-off and post-cut-off debt were subject to flow treatments.

[21] It was the sixth time that Jordan came to the Paris Club. The country had received an "exit" rescheduling in its third negotiation at the Paris Club in June 1994, following a debt restructuring with private creditors in a Brady deal in December 1993.

[22] In addition, support has been provided by IMF, the United Nations Development Programme, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and Pôle Dette, a training initiative launched jointly by the Central Banks of Western and Central African Francophone countries.

[23] More information on the activities of the DMFAS programme and its cooperation with other institutions in the provision of technical assistance can be found at http://www.unctad.org/dmfas.

[24] World Bank, Operations Evaluation Department, *Debt Relief for the Poorest: An OED Review of the HIPC Initiative*, Washington, D.C., 2003, p. 47.

[25] See "OECD DAC countries begin recovery in development aid: 5% increase in 2002", www.oecd.org/document/42.

[26] See ibid.

[27] Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (G 24), Communiqué, Washington, D.C., 11 April 2003.

[28] See UNCTAD, *Trade and Development Report 1998* (United Nations publication, Sales No. E.98.II.D.6), part one, chap. IV.B; and *Trade and Development Report 2001* (United Nations publication, Sales No. E.01.II.D.10), part two, chap. VI.B.

[29] UNCTAD, *Trade and Development Report 1986* (United Nations publication, Sales No. E.86.II.D.5), annex to chap. VI.

[30] For a more detailed discussion of the SDRM proposal, see Y. Akyüz, *New Sovereign Debt Restructuring Mechanisms: Challenges and Opportunities*, WIDER Angle, No.1, 2003, pp. 6-7.

[31] Bank for International Settlements, *BIS Quarterly Review, June 2003*, Basel, Switzerland, 2 June 2003, p. 29.

[32] See A/58/216, para. 130.

Table
External debt of developing countries and countries in transition
(Billions of United States dollars)

	1990	*1999*	*2000*	*2001*	*2002*
All developing countries					
Total debt stocks	1 421.6	2 427.0	2 362.6	2 332.1	2 384.2
Long-term debt	1 154.6	1 999.3	1 968.3	1 907.8	1 943.0
Public and publicly guaranteed	1 094.5	1 469.6	1 433.7	1 394.4	1 435.5
Private non-guaranteed	60.1	529.7	534.6	513.4	507.5
Short-term debt	232.3	354.9	335.8	349.0	345.7
Debt service paid	155.4	358.1	381.5	378.7	343.4
Gross national income	4 033.1	5 503.1	5 944.0	6 002.5	6 101.0
International reserves	166.8	659.5	711.2	792.7	954.0
Debt indicators (percentage)					
Debt service/XGS[a]	18.7	21.9	19.3	19.2	16.3
Total debt/XGS[a]	170.8	148.1	119.4	118.5	112.8
Debt service/gross national income	3.9	6.5	6.4	6.3	5.6
Total debt/gross national income	35.3	44.1	39.8	38.9	39.1
Short-term/reserves	139.3	53.8	47.2	44.0	36.2
Memo item:[b]					
Total inward FDI stocks	276.7	1 262.1	1 403.6	1 575.1	..
Total liabilities[c]	1 698.2	3 689.1	3 766.2	3 907.2	..
Total liabilities/gross national income (percentage)	42.1	67.0	63.4	65.1	..
Total liabilities/XGS[a] (percentage)	204.0	225.2	190.3	198.5	..
Profit remittances on FDI	17.8	59.8	74.7	76.8	66.0
Profit remittances/XGS[a] (percentage)	2.1	3.6	3.8	3.9	3.1
Sub-Saharan Africa					
Total debt stocks	176.9	215.0	211.4	203.0	204.4
Long-term debt	149.7	166.8	171.6	164.6	169.7
Public and publicly guaranteed	144.4	156.4	160.2	152.1	156.6
Private non-guaranteed	5.3	10.4	11.4	12.5	13.2
Short-term debt	20.6	41.1	33.1	32.1	27.7
Debt service paid	10.9	13.7	13.5	13.3	13.4
Gross national income	280.5	306.3	307.4	299.6	314.5
International reserves	13.1	28.9	34.6	34.9	36.5
Debt indicators (percentage)					
Debt service/XGS[a]	12.9	13.3	11.2	11.2	10.7
Total debt/XGS[a]	208.6	207.7	175.2	170.2	164.5
Debt service/gross national income	3.9	4.5	4.4	4.4	4.2

	1990	1999	2000	2001	2002
Total debt/gross national income	63.1	70.2	68.8	67.8	65.0
Short-term/reserves	157.9	142.2	95.7	91.9	75.9
Memo item:[b]					
Total inward FDI stocks	25.5	57.6	62.9	68.2	..
Total liabilities[c]	202.4	248.7	249.4	247.1	..
Total liabilities/gross national income (percentage)	72.2	139.7	136.6	130.0	..
Total liabilities/XGS[a] (percentage)	238.6	364.3	304.6	302.3	..
Profit remittances on FDI	2.0	5.4	7.1	7.0	6.0
Profit remittances/XGS[a] (percentage)	2.4	5.2	5.8	5.9	4.8
Middle East and North Africa					
Total debt stocks	182.9	213.9	202.1	200.6	202.3
Long-term debt	137.0	160.5	153.0	150.9	152.9
Public and publicly guaranteed	135.5	153.9	146.3	143.5	145.0
Private non-guaranteed	1.5	6.7	6.8	7.4	7.9
Short-term debt	44.0	50.4	46.5	47.4	47.7
Debt service paid	24.1	25.3	23.3	21.4	20.2
Gross national income	400.6	608.2	663.6	678.0	662.7
International reserves	28.9	67.7	79.9	89.7	105.8
Debt indicators (percentage)					
Debt service/XGS[a]	15.7	14.2	10.1	9.5	8.7
Total debt/XGS[a]	118.9	120.2	88.1	88.7	86.9
Debt service/gross national income	6.0	4.2	3.5	3.2	3.0
Total debt/gross national income	45.7	35.2	30.5	29.6	30.5
Short-term/reserves	152.3	74.4	58.2	52.8	45.1
Memo item:[b]					
Total inward FDI stocks	43.5	74.2	75.1	80.4	..
Total liabilities[c]	226.4	288.0	277.2	281.1	..
Total liabilities/gross national income (percentage)	56.5	47.4	41.8	41.5	..
Total liabilities/XGS[a] (percentage)	147.2	161.9	120.8	124.3	..
Profit remittances on FDI	2.7	6.1	6.4	8.2	5.0
Profit remittances/XGS[a] (percentage)	1.8	3.5	2.8	3.6	2.1
Latin America and the Caribbean					
Total debt stocks	475.4	794.8	782.9	764.9	789.4
Long-term debt	379.7	664.9	668.4	645.0	651.0
Public and publicly guaranteed	354.6	421.2	424.4	419.0	430.6

	1990	1999	2000	2001	2002
Private non-guaranteed	25.1	243.7	244.0	226.0	220.4
Short-term debt	77.4	109.4	105.7	96.0	99.9
Debt service paid	45.6	160.7	179.7	159.4	134.4
Gross national income	1 066.4	1 724.0	1 913.1	1 843.6	1 636.9
International reserves	47.0	152.8	155.7	157.9	160.7
Debt indicators (percentage)					
Debt service/XGS[a]	24.4	41.0	38.6	35.5	29.6
Total debt/XGS[a]	254.5	202.7	168.4	170.5	173.6
Debt service/gross national income	4.3	9.3	9.4	8.6	8.2
Total debt/gross national income	44.6	46.1	40.9	41.5	48.2
Short-term/reserves	164.8	71.6	67.9	60.8	62.2
Memo item:[b]					
Total inward FDI stocks	100.0	439.2	513.7	578.2	..
Total liabilities[c]	575.4	1 234.1	1 296.7	1 343.1	..
Total liabilities/gross national income (percentage)	54.0	71.6	67.8	72.8	..
Total liabilities/XGS[a] (percentage)	308.1	314.7	278.9	299.4	..
Profit remittances on FDI	7.6	18.6	22.2	21.3	19.0
Profit remittances/XGS[a] (percentage)	4.0	4.7	4.8	4.8	4.2
East Asia and the Pacific					
Total debt stocks	239.0	541.4	497.4	504.1	509.5
Long-term debt	198.5	450.7	416.9	397.9	404.4
Public and publicly guaranteed	176.9	298.1	277.8	275.6	292.3
Private non-guaranteed	21.6	152.5	139.1	122.3	112.1
Short-term debt	38.4	74.7	64.0	92.8	93.5
Debt service paid	31.5	74.3	73.3	76.1	77.8
Gross national income	673.7	1 458.9	1 562.1	1 621.4	1 776.1
International reserves	62.2	267.1	276.7	325.0	393.1
Debt indicators (percentage)					
Debt service/XGS[a]	17.8	14.0	11.4	12.1	10.9
Total debt/XGS[a]	135.2	101.9	77.2	79.9	71.1
Debt service/gross national income	4.7	5.1	4.7	4.7	4.4
Total debt/gross national income	35.5	37.1	31.8	31.1	28.7
Short-term/reserves	61.7	28.0	23.1	28.6	23.8
Memo item:[b]					
Total inward FDI stocks	89.4	481.3	523.2	574.6	..
Total liabilities[c]	328.4	1 022.7	1 020.5	1 078.8	..

	1990	1999	2000	2001	2002
Total liabilities/gross national income (percentage)	48.7	70.1	65.3	66.5	..
Total liabilities/XGS[a] (percentage)	185.8	192.4	158.3	171.0	..
Profit remittances on FDI	5.2	24.5	31.4	31.6	29.0
Profit remittances/XGS[a] (percentage)	2.9	4.6	4.9	5.0	4.0
South Asia					
Total debt stocks	129.5	167.4	165.1	161.7	166.8
Long-term debt	112.6	158.1	157.2	154.4	158.6
Public and publicly guaranteed	110.8	147.7	141.8	140.2	144.6
Private non-guaranteed	1.7	10.4	15.4	14.2	14.0
Short-term debt	12.4	7.0	6.0	5.1	5.7
Debt service paid	11.4	14.9	15.7	14.0	13.7
Gross national income	399.8	575.2	590.9	610.4	657.5
International reserves	3.5	38.7	43.3	53.5	81.0
Debt indicators (percentage)					
Debt service/XGS[a]	28.7	16.1	14.7	12.7	11.4
Total debt/XGS[a]	324.7	180.1	154.1	147.1	138.6
Debt service/gross national income	2.9	2.6	2.7	2.3	2.1
Total debt/gross national income	32.4	29.1	28.0	26.5	25.4
Short-term/reserves	349.4	18.2	13.9	9.6	7.1
Memo item:[b]					
Total inward FDI stocks	4.5	27.0	29.5	32.9	..
Total liabilities[c]	134.0	194.4	194.6	194.5	..
Total liabilities/gross national income (percentage)	33.5	33.8	32.9	31.9	..
Total liabilities/XGS[a] (percentage)	335.9	209.2	181.6	177.0	..
Profit remittances on FDI	0.1	0.8	1.2	1.3	1.0
Profit remittances/XGS[a] (percentage)	0.3	0.9	1.1	1.2	0.8
Europe and Central Asia					
Total debt stocks	217.9	494.4	503.6	497.8	511.8
Long-term debt	177.1	398.2	401.2	395.0	406.3
Public and publicly guaranteed	172.1	292.2	283.3	263.9	266.4
Private non-guaranteed	4.9	106.1	117.9	131.1	139.9
Short-term debt	39.6	72.3	80.5	75.7	71.2
Debt service paid	31.9	69.1	76.1	94.4	83.9
Gross national income	1 240.9	849.9	928.4	972.9	1 053.4
International reserves	12.1	104.3	121.0	131.7	177.0

	1990	1999	2000	2001	2002
Debt indicators (percentage)					
Debt service/XGS[a]	44.8	20.3	18.4	21.7	18.0
Total debt/XGS[a]	306.3	145.3	121.9	114.6	110.1
Debt service/gross national income	2.6	8.1	8.2	9.7	8.0
Total debt/gross national income	17.6	58.2	54.3	51.2	48.6
Short-term/reserves	325.9	69.4	66.5	57.5	40.2
Memo item:[b]					
Total inward FDI stocks	4.6	130.3	154.9	189.5	..
Total liabilities[c]	222.5	624.8	658.5	687.4	..
Total liabilities/gross national income (percentage)	17.9	73.5	70.9	70.6	..
Total liabilities/XGS[a] (percentage)	312.8	183.6	159.4	158.3	..
Profit remittances on FDI	0.2	4.3	6.4	7.3	6.0
Profit remittances/XGS[a] (percentage)	0.3	1.3	1.5	1.7	1.3

Source: World Bank, *Global Development Finance 2003* (Washington, D.C., 2002) and UNCTAD *Handbook of Statistics*, CD-ROM.

Note: Two dots mean data unavailable.

[a] Exports of goods and services.

[b] Sub-Saharan Africa excludes South Africa; Europe and Central Asia exclude Turkmenistan.

[c] Total liabilities is the sum of total debt stocks and inward foreign direct investment (FDI) stocks.